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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
Chairman

Arizona Corporation Commission

1999 JUN 25 P 4: 05

JIM IRVIN

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Commissioner

WILLIAM A. MUNDEL
Commissioner

JUN 25 1999

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IN THE MATTER OF THE COMPETITION IN
THE PROVISION OF ELECTRIC SERVICES
THROUGHOUT THE STATE OF ARIZONA.

DOCKET NO. RE-00000C-94-0165

STAFF'S RESPONSE TO THE JUNE 23, 1999, COMMENTS OF THE ARIZONA
TRANSMISSION DEPENDENT UTILITY GROUP

Although the May 21, 1999 Procedural Order specifies that the last date for written comments on the proposed Rule Amendments is June 23, 1999, written comments by the Arizona Transmission Dependent Utility Group ("ATDUG") filed on that date and the lengthy discussion at the public comment session held that same date, have necessitated Staff's filing of this response. Staff respectfully requests that this response, even though late-filed, be considered by the Hearing Officers.

ATDUG's comments suggested deleting the term "aggregator", adding a new definition of "aggregation" and amending the definition of "Noncompetitive Services" to add "aggregation service."

As mentioned by Staff at the June 23, 1999, public comment session, the definition of "aggregator" was placed in the rules, as originally drafted, to address businesses that choose to provide "aggregation" as an electric service to customers. Apparently, that definition has created confusion, causing some to believe that, in order for a group of customers to combine or "aggregate" their loads, they would have to become an Electric Service Provider. That is not what was intended in the rule as originally drafted.

In addition, there have been questions raised about whether residential customers are able to aggregate their loads, either through self-aggregation or through the services of an Aggregator. Staff believes that clarification on this issue would be helpful.

1 In order to address these issues, Staff proposes the new language set out below.
2 The language is intended to accomplish several objectives. First, the language clarifies that only
3 entities who, as part of their business, perform aggregation services, are required to be
4 certificated as an Electric Service Provider.

5 Second, the language provides new (and hopefully more clear) definitions of
6 "Aggregation" and "Self-Aggregation."

7 Third, the language clarifies that non-residential customers may self-aggregate
8 their loads during the transition period, but that they must purchase their electricity and related
9 services from an Electric Service Provider.

10 Fourth, the language clarifies that residential customers may also aggregate or
11 self-aggregate their loads, subject to the phase-in percentage limitations.

12 Finally, the language clarifies that eligible residential and non-residential
13 customers may be aggregated together.

14 Staff suggests the following language:

15 **R14-2-1601.2:**

16 "2. 'Aggregator' means an Electric Service Provider that, as part of its business,
17 combines retail electric customers into a purchasing group."

18 Staff suggests a new definition of aggregation, similar to that suggested by
19 ATDUG:

20 "'Aggregation' means the combination and consolidation of loads of multiple
21 customers."

22 Next, Staff recommends that a revised version of the definition of "self-
23 aggregation" be included in the rules.

24 "'Self-Aggregation' is the action of a retail electric customer or group of
25 customers who combine their own metered loads into a single purchase block."

26 ...

27 ...

28 ...

1 **R14-2-1604.A.2.**

2 Modify the first sentence of this subsection as follows:

3 “During 1999 and 2000, an Affected Utility’s customers with single premise non-
4 coincident peak load demands of 40 kW or greater aggregated by an electric Service Provider
5 with other such customers or eligible residential customers into a combined load of 1 MW or
6 greater within the Affected Utility’s service territory will be eligible for competitive electric
7 services.”

8 Reinsert the following wording:

9 “Self-aggregation is also allowed pursuant to the minimum and combined load
10 demands set forth in this rule.”

11 Add the following sentence after the sentence shown above:

12 “Customers choosing self-aggregation must purchase their electricity and related
13 services from a certificated Electric Service Provider as provided for in these rules.”

14 Staff recommends that the following new subsection be added to the rules:

15 **R14-2-1604.A.4**

16 “Effective January 1, 2001, all Affected Utility customers irrespective of size will
17 be eligible for aggregation and self-aggregation. Those customers must purchase their electricity
18 and related services from a certificated Electric Service Provider as provided for in these rules.”

19 Staff recommends that the following new section be added to the rules:

20 **R14-2-1604.B.6.**

21 “Aggregation or self-aggregation of residential customers is allowed subject to the
22 limitations of the phase-in percentages in this rule. Customers choosing self-aggregation must
23 purchase their electricity and related services from a certificated Electric Service Provider as
24 provided for in these rules.”

25 Staff believes that the changes shown here help clarify the original intent of the
26 rules to certificate businesses that choose to provide aggregation services, while also allowing
27 customers to combine loads (self-aggregation) in a manner that will facilitate obtaining favorable
28 competitive bids from Electric Service Providers.

1 Self-aggregation, in fact, could cut the costs to competitors by having the
2 customers perform the functions of combining loads and developing purchase blocks.
3 Competitive Electric Service Providers could then wait for self-aggregators to approach them for
4 bids, rather than incurring the huge marketing costs needed to collect a large volume of
5 customers.

6 RESPECTFULLY SUBMITTED this 25th day of June, 1999.

7
8 By: Paul A. Bullis
9 Paul A. Bullis
10 Christopher C. Kempley
11 Janet Wagner
12 Janice Alward

13 Original and ten copies of the
14 foregoing filed this 25th day
15 of June, 1999 with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 A copy of the foregoing was
21 mailed this 25th day of June,
22 1999 to:

23 All parties on the service list for
24 Docket No. RE-00000C-94-0165

25 By: Mary Spicatta
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